



THE CITY OF SAN DIEGO

DATE: February 11, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – January 2011**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of January 2011. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

Audit Reports and Accomplishments:

- January 5, 2011 – At the request of the Audit Committee, we issued a memorandum describing Revenue Recovery Auditing and its potential benefits to the City of San Diego. The memorandum can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/revenue_rec_aud_memo.pdf
- January 7, 2011 – Presented to the Audit Committee our report on Revenue Recovery Auditing. The Audit Committee voted to receive the report and requested that the City Auditor work with the Mayor's staff on three options for moving forward with both revenue and accounts payable recovery audits. The City Auditor will present an option menu to the Audit Committee no later than April 1, 2011.
- January 13, 2011 – Issued the City Auditor's Quarterly Fraud Hotline Report for the Second Quarter, Fiscal Year 2011. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/hotline/fraud_q2_2011_update_report.pdf
- January 21, 2011 – Issued the Close-Out Audit report for James Barrett, former Public Utilities Director. We found that Mr. Barrett had no outstanding debt to the City and nothing came to our attention requiring further review regarding his accounts. The audit report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/barrett_close_out%20rpt.pdf

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TO REPORT FRAUD, WASTE, OR ABUSE, CALL OUR FRAUD HOTLINE: (866) 809-3500

- January 31, 2011 – Issued our Audit of the Enterprise Resource Planning (ERP) System Implementation. Based on our audit, we found that management identified and addressed most system implementation risks but improvements are needed related to security, payment controls and training. We made six additional recommendations to address the issues we identified subsequent to our June 2009 report on ERP System Implementation. This audit report can be found on our website at:
http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-011.pdf
- Our Performance Auditor Toufic Tabshouri recently passed the certification exams to become a Certified Internal Auditor (CIA).

Current Audits and Activities:

| Audit Activity | Status | Target Completion Date | Audit Hours Used | Budgeted Hours |
|---|---|-------------------------------|-------------------------|-----------------------|
| Capital Improvement Projects Audit | The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit report writing is in progress. | March 2011 | 3,265 | 2,880 |
| Police Department – Fiscal Services (Animal Services Contract) Audit | The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit fieldwork is in progress. | March 2011 | 551 | 600 |
| Police Department – Fiscal Services (License and Permit Fees) | The objective of this audit is to determine if the Police Department is efficiently and effectively collecting license and permit fees owed to the City with adequate internal controls in place. Audit fieldwork is in progress. | March 2011 | 324 | 1,300 |

| Audit Activity | Status | Target Completion Date | Audit Hours Used | Budgeted Hours |
|---|--|------------------------|------------------|----------------|
| Close-out Audits | Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting close-outs for Patti Boekamp, former Director of Engineering and Capital Projects, and former City Councilmembers Donna Frye and Ben Hueso. We plan to issue all of these reports by March 2011. | March 2011 | 68 | 240 |
| Fire Rescue – Emergency Medical Services Audit | The objective of this audit is to determine the efficiency and effectiveness of the City's Emergency Medical Services and related partnership with Rural/Metro of San Diego. Audit fieldwork is in progress. | March 2011 | 2,237 | 1,800 |
| City Treasurer – Parking Administration Audit | The objective of this audit is to determine if the collections for parking citations is being properly accounted for and efficiently and effectively handled. Audit fieldwork is in progress. | April 2011 | 923 | 1,280 |

| Audit Activity | Status | Target Completion Date | Audit Hours Used | Budgeted Hours |
|--|--|------------------------|-------------------------------------|---------------------------------------|
| Follow-up on Audit Report Recommendations | The City Auditor tracks all audit recommendations made since FY08. Comptroller staff contacts those responsible for implementing our recommendations and provides regular status data to the City Auditor on all implemented recommendations. We verify if recommendations have actually been implemented and report the implementation status on a semi-annual follow-up report. The last semi-annual follow-up report was issued on October 6, 2010. On November 3, 2010, we issued a report on the status of audit recommendations for Centre City Development Corporation. We plan to issue our next semi-annual follow-up report in March 2011. | On-going | 477 (Fiscal Year 2011 Hours) | 600 (Fiscal Year 2011 Hours) |
| Fraud, Waste and Abuse Hotline | We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of January, there were 11 new Hotline calls received. | On-going | 899 (Fiscal Year 2011 Hours) | 1,560 (Fiscal Year 2011 Hours) |

| Audit Activity | Status | Target Completion Date | Audit Hours Used | Budgeted Hours |
|---|--|------------------------|------------------|----------------|
| Public Utilities – Water Department and Metropolitan Wastewater Audits | The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee (IROC) to conduct audits of the Public Utilities department. We performed a risk assessment and we will be conducting an audit of Public Utilities CIP, and a review of goal measures for the Bid-to-Goal Program. | TBD | 494 | 2,600 |
| Development Services Department Audit | The objective of this audit is to conduct a performance audit of DSD systems. Audit background and preliminary survey are in progress. | TBD | 101 | 1,600 |
| City Retirement System Audit | The objective of this audit is to evaluate the efficiency and effectiveness of the San Diego City Employee Retirement System’s administration. Audit background and preliminary survey are in progress. | TBD | 201 | 1,700 |
| General Services – Fleet Services Audit | The objective of this audit is to evaluate the efficiency and effectiveness of the City’s fleet vehicle utilization. Audit background and preliminary survey are in progress. | TBD | 56 | 1,400 |

Planned FY11 Audits Not Yet Started (as of January 31, 2010):

| Planned Audit | Estimated Audit Hours |
|--|----------------------------------|
| City Comptroller / Personnel Department – Payroll Audit | 1,500 |
| Real Estate Assets Department Audit | 1,800 |
| Annual Mission Bay Fund Audit | 120 |
| Annual Central Stores Inventory Audit FY11 | 80 |

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst